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ABSTRACT

This instructor guide for a unit on help for the entrepreneur in the PACE (Program for Acquiring Competence in Entrepreneurship) Program includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 3 of learning--starting and managing one's own business. The instructor's guide includes the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The following materials are contained in the student's guide: activities to be completed in preparation for the unit, unit objectives, student reading materials, individual and group learning activities, case study, discussion questions, assessment questions, and references. These six objectives are addressed: determine technical assistance needed for one's business; select professional consultants; work effectively with consultants; identify appropriate market contacts and technical assistance for international trade; identify networks to use in one's business; and discuss free and purchased services. (YLB)

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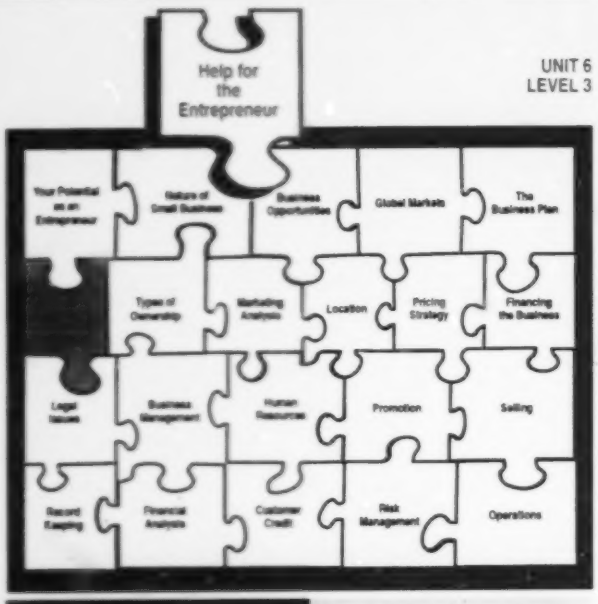

Objectives:

- Determine technical assistance needed for your business.
- Select professional consultants.
- Work effectively with consultants.
- Identify appropriate market contacts and technical assistance for international trade.
- Identify networks to use in your business.
- Discuss free and purchased services.

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INSTRUCTOR GUIDE

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Unit 6

Help for the Entrepreneur

Level 3

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

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Objectives	Teaching Suggestions
1. DETERMINE TECHNICAL ASSISTANCE NEEDED FOR YOUR BUSINESS	
How do you prepare for securing technical assistance services?	Lead students in a discussion comparing the preparation for hiring technical assistance to the decision-making process for other management tasks.
Why is it important to define the problem?	Here is the place to make students understand how important it is to define the problem in any activity.
Why is it important to identify the benefits?	The instructor should explain why people should consider the benefits and possible outcomes of their actions when weighing different options. Choose a simple day-to-day example; then gear discussion toward decision-making in small business.
What does technical assistance cost?	Discuss the financial aspects of seeking outside assistance. Divide the class into teams to debate the pros and cons of getting technical assistance.
What are the personal constraints?	Refer to above suggestion.
2. SELECT PROFESSIONAL CONSULTANTS	
What options are available?	Use a chart to outline different sources of outside assistance. Conduct further discussions by referring to this outline.
How is long-term assistance secured?	Acquaint students with long-term assistance sources, their benefits and drawbacks.
What assistance do attorneys provide?	Invite an attorney from your community who specializes in business legal issues. The lawyer should share his/her own experiences with the students.
What assistance do accountants provide?	Use an overhead or chalkboard to outline different areas where accountants can help. Encourage students to add other areas to the list.
What assistance do general management consultants provide?	Create a simple general management case and help students come up with solutions to the problems raised in the case. The Harvard cases are an excellent source if time is available. You could also use simple cases presented in any human resource management textbook.

Objectives	Teaching Suggestions
How should technical assistance services be selected?	Use INC, Entrepreneur, Venture, or any other magazine specializing in entrepreneurship to determine methods of selecting technical assistance. Handouts with consulting advertisements from magazines or local newspapers may be helpful.
What criteria should be considered in selecting services/consultants?	Ask students to express their own opinions on what criteria should be considered in selecting consulting services.
3. WORK EFFECTIVELY WITH CONSULTANTS	
How do you work effectively with consultants?	Finalize the discussion on how entrepreneurs should prepare to seek outside assistance.
4. IDENTIFY APPROPRIATE MARKET CONTACTS AND TECHNICAL ASSISTANCE FOR INTERNATIONAL TRADE	
How do you obtain technical assistance for international trade?	Have students write on note cards the information you present on a chart. It is not that important to have students memorize all sources which provide technical assistance for international trade. Rather, the emphasis is to acquaint students with various consulting sources and how they can be located. Use tables presented in the text.
5. IDENTIFY NETWORKS TO USE IN YOUR BUSINESS	
How can you identify networks for your business?	Wrap up the lecture by emphasizing the importance of networking in business. Have students offer their own examples to highlight how networks can help entrepreneurs in seeking technical assistance.
6. DISCUSS FREE AND PURCHASED SERVICES	
What are free and purchased services?	Distinguish between these types of services and give additional examples of each.

MODEL ASSESSMENT RESPONSES

1. It is important to identify the problem before you turn to outside professional assistance. This can save time and important financial resources.

2. Entrepreneurs should consider the following criteria in selecting professional services and consultants: (1) competence and experience, (2) working methods, and (3) fee arrangements and schedules.

3. International trade refers to buying (importing) and selling (exporting) of goods and services between two nations. A business can benefit from foreign trade by specializing in producing the goods or providing the services for which the firm has competitive advantage.

4. People use various methods to establish business networks. First, you should talk to your friends, relatives, colleagues, business associates, or other acquaintances to establish interest. Next, you should try to meet with these people either for a early morning breakfast, lunch, dinner, or at a sporting event. Finally, you should maintain and further your relationships once you establish them.

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.
Level 2 — Planning for a business in your future.
Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
Center on Education and Training for Employment, 1900 Kenny Road, Columbus, Ohio 43210-1090
(614) 292-4353, (800) 848-4815.

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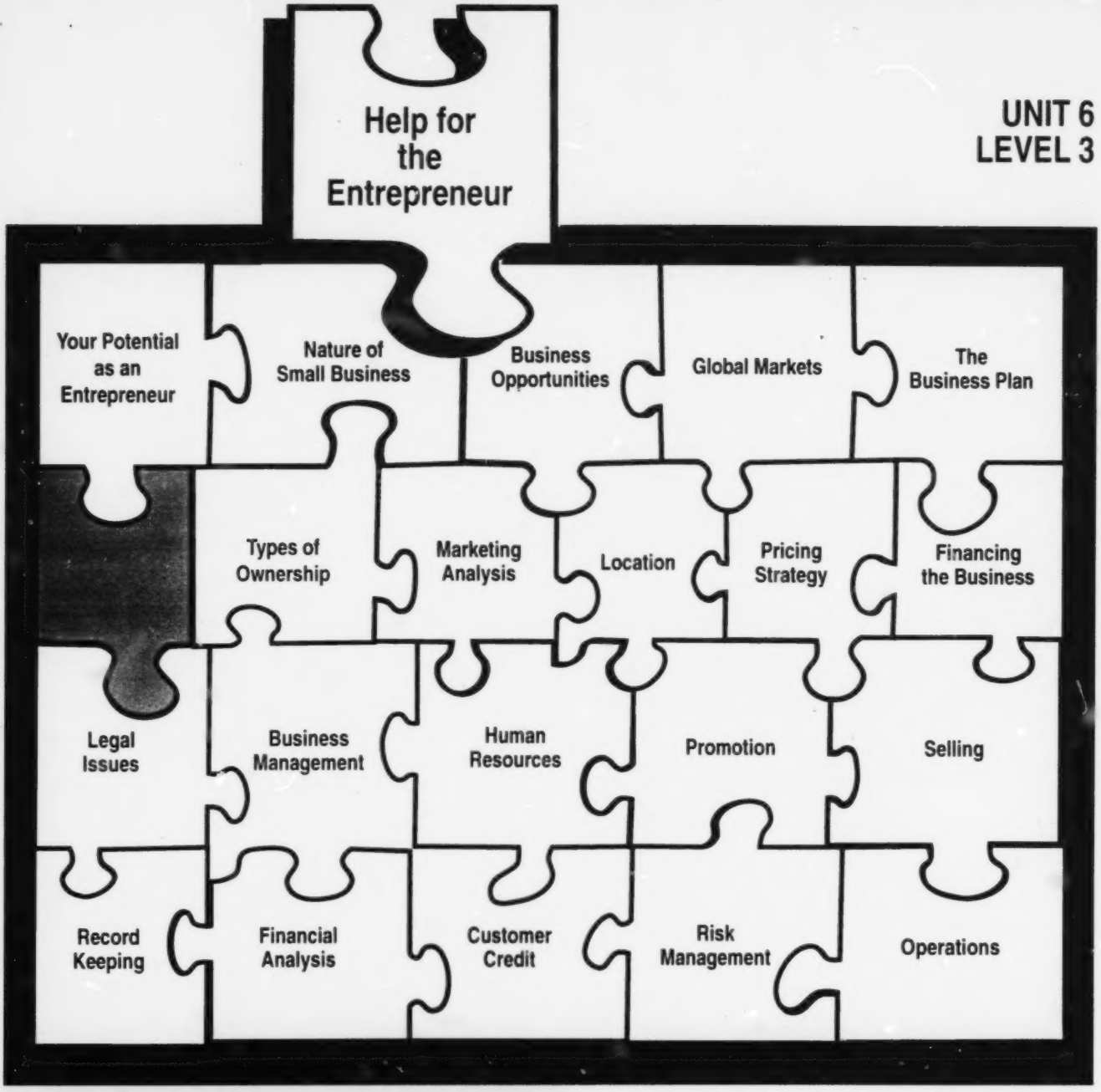
UNIT 6
LEVEL 3



PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

CENTER ON EDUCATION
AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

6 Research & Development Series No. 303-06

HELP FOR THE ENTREPRENEUR

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met at Level 1 and Level 2:

   Level 1

   - Define technical assistance.
   - Discuss how technical assistance can help the entrepreneur.
   - Identify the types of technical assistance available to the entrepreneur.

   Level 2

   - Discuss how the entrepreneurs can use technical assistance.
   - Identify areas where technical assistance may be needed.
   - Identify sources of technical assistance.
   - Describe the use of networks.

4. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide.*

   Channels of distribution
   Consultants
   International trade
   Legal aspect
   Legal counsel
   Networks
   Trade barriers

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HELP FOR THE ENTREPRENEUR

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- determine technical assistance needed for your business,
- select professional consultants,
- work effectively with consultants,
- identify appropriate market contacts and technical assistance for international trade,
- identify networks to use in your business, and
- discuss free and purchased services.

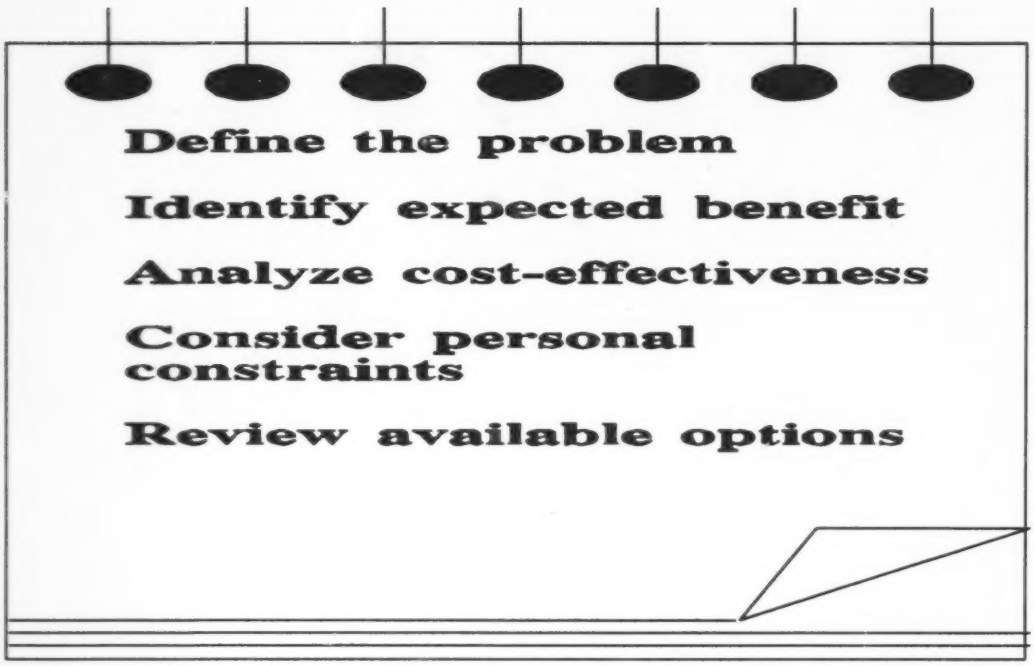
WHAT IS THIS UNIT ABOUT?

The purpose of this unit is to explore the use of professional help, or technical assistance, in opening and operating a small business. Specifically, you will learn what to look for when selecting professional help and what to consider in working effectively with these people once their services have been secured. You will also explore possible market contacts and technical assistance for international trade opportunities.

HOW DO YOU PREPARE FOR SECURING TECHNICAL ASSISTANCE SERVICES?

It may sound strange, but you need to prepare for technical assistance. A major problem faced by many entrepreneurs is not securing technical assistance services early enough. Of course, you really cannot make the best use of outside help until you are sure what help you need. Consider this scenario.

Suppose you go to your banker and say, "I'm planning to remodel my building. Can you lend me the money?" Your banker will no doubt say that he will be glad to talk to you when you know how much money you can supply, how much you will need to



borrow, what collateral you will offer, and an assessment of the current and future condition of your business.

Just as the banker cannot help you until you know what you need, you cannot secure technical assistance until you have a better picture of what you need. Here are five ways to prepare for securing technical assistance:

1. Define the problem
2. Identify expected benefits
3. Analyze cost-effectiveness
4. Consider personal constraints
5. Review available options

WHY IS IT IMPORTANT TO DEFINE THE PROBLEM?

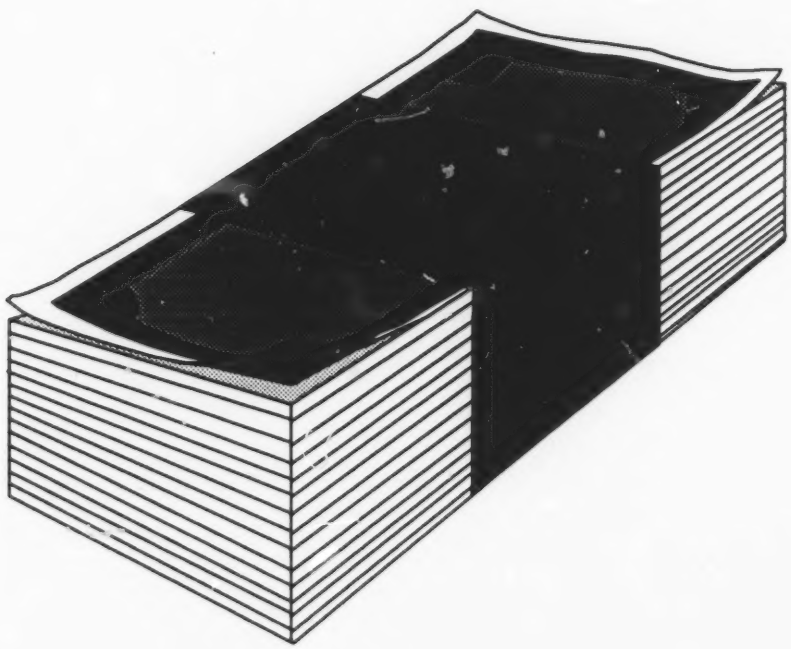
Before you turn to outside sources for help, you need to identify the problem. The closer you come to the correct identification of the problem, the easier it will be to identify the kind of technical assistance you need. Also, the more exact you are in identifying the problem, the less time professional help will need in solving the problem. In other words, if you are paying for technical assistance, you will save money by defining the problem in advance. If you are receiving advice, you will save valuable time for the adviser by defining the problem in advance.

WHY IS IT IMPORTANT TO IDENTIFY THE BENEFITS?

The key question is "How will the solution to this problem help the business?" This question should be answered prior to seeking technical assistance. A good example is the area of insurance. If you are not properly advised as to the types and levels of coverage you need and an accident occurs, you can lose your business. Therefore, before you seek technical assistance about insurance, you should know how your business will benefit from this assistance and how your business could be hurt if you do not secure this assistance.

WHAT DOES TECHNICAL ASSISTANCE COST?

If you are paying for technical assistance, you need to estimate the cost as accurately as possible. As the business owner your time is very valuable. Will you need to spend time with the professional help? If so, how much of your time will be spent? Are there other costs such as travel, materials, or resources involved? Will these costs be offset by the benefit of the assistance? The cost of technical assistance should be weighed against the value of your time if you were to perform the services yourself and the benefit of having an expert complete the work.



Some technical assistance is available without charge because the specialist wants to sell you a product or service. For example, the banker or investment company representative will advise you about financial matters in hopes of lending you money or having you "do business" at that bank.

The advertising agency representative, on the other hand, will charge you for consultation time until you become a regular client. Then the cost of such consultation is figured into your cost of advertising. Suppliers or vendors charge nothing and may be excellent sources of technical assistance, because they know their own and their competitors' products or services. But their advice alone can prove less than satisfactory.

Insurance company representatives will provide technical assistance in the hope that you will buy your insurance from that company. Security consultants and other specialized service consultants provide technical assistance while you are considering the purchase of such services, and are usually also available as long as you are *their customer*.

Specialists who provide technical assistance in areas related to legal matters, accounting, financial planning and management, products, technical processes, or specialized services, charge a predetermined fee based on the services you wish to receive.

WHAT ARE THE PERSONAL CONSTRAINTS?

As an entrepreneur, your days will be so busy you will often wish you were twins. Because of your busy schedule and before you seek technical assistance, you should make sure that you can manage your time to take advantage of the advice you get from outside specialists. Be realistic in terms of the demands on your time. Sometimes technical services are actually performed by the specialist. Other times, the specialist simply advises the business owner as to the course of action to be taken. In this case, much more of your time will be needed.

WHAT OPTIONS ARE AVAILABLE?

Technical assistance can often be obtained from community advisers free of charge. Bankers, life insurance agents, real estate personnel, and suppliers will advise you because they want your business. When seeking advice from competing firms, it is often advisable to seek second opinions.

Generally, community advisers are unable to devote extended periods of time to you and your business. Business associations related to your business are anxious to help you if you are a member. The chamber of commerce and local government agencies are also available to help you with publications and other printed materials.

HOW IS LONG-TERM ASSISTANCE SECURED?

If you need long-term assistance from an individual or an agency, you will most likely have to pay for it. In fact, you will find a wealth of professional services available if you are willing to pay for them.

You are most likely to need long-term assistance with the legal and financial aspects of your business. Therefore, you should become familiar with services provided by attorneys, bankers, accountants, and general management consultants. One way to secure names of the experts in these important areas is to network with your business contacts. These people will be able to provide information about their experiences. They may even be able to advise you about the kind of assistance you need.

WHAT ASSISTANCE DO ATTORNEYS PROVIDE?

Many decisions in your company have legal aspects. A *legal aspect* means that a connection with the law is involved. When you choose your form of business organization, the decision carries a legal aspect because taxation procedures vary from one type of organization to another. For this reason, you should have an attorney when you are developing the business plan, as well as when you are obtaining financing.

Experience will help you understand the major legal aspects of your business. But complex problems require someone who can furnish advice or *legal counsel*—usually a lawyer. Small businesses and attorneys are necessary to each other.

Following is a list of technical assistance you can obtain from an attorney:

- Legal structure of the business
- Taxes
- Leases or real estate transactions
- Contracts and agreements
- Franchises
- Delinquent accounts collection or legal action
- Representation in legal action
- Insurance problems
- Local, state, and federal laws and regulations
- Estate planning

Your attorney is one of your most important sources of outside assistance. You should make it a point to provide your lawyer with regular information about the company. Your lawyer should be treated as a vital member of the company staff. It is a good idea to write down questions as they occur to you and to schedule regular monthly meetings to keep your lawyer up to date on the business. At such meetings, you will have the chance to learn of new regulations or information that may affect your business.

The key to finding competent legal help is to look for a specialist who knows your type of business. The best way to do this is to talk to owners of similar businesses to see who represents them. Your other sources of technical assistance, such as accountants, bankers, or insurance agents, may also be able to recommend someone.

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WHAT ASSISTANCE DO ACCOUNTANTS PROVIDE?

You can obtain accounting assistance from bankers, lawyers, and suppliers. But employing the services of an independent accountant or accounting firm will provide you access to expert advice on record keeping, financial management, and general administrative affairs. Following are some of the services an accountant provides:

- Acts as a sounding board for management in financial and general administrative matters
- Prepares financial statements and periodic audits of records
- Assists in the interpretation of financial statements
- Reviews accounting needs and develops suitable accounting systems
- Determines cash flow and working capital requirements
- Trains bookkeeping staff
- Recommends credit policies
- Develops purchasing and inventory controls
- Prepares tax returns and plans tax programs
- Analyzes adequacy of insurance coverage
- Works with company attorney and other professional consultants

Your accountant is another key figure in your organization. So unless your field of expertise is accounting, you will be wise to select and develop a long-term relationship with a competent accountant. You should meet monthly to review your company's financial statements. At the same time you should seek the accountant's opinions and evaluation of the financial health of your business. You will find this professional consultant is capable of becoming a trusted adviser on many major issues.

WHAT ASSISTANCE DO GENERAL MANAGEMENT CONSULTANTS PROVIDE?

Although there are management consultants who specialize in every phase of business operation, your needs may be best served by establishing a relationship with a general management consultant—someone you can call for help on almost any entrepreneurial problem. Following are two examples of assistance you can obtain from a general management consultant.

Insurance Management. Entrepreneurs operate under constant risk. You must protect your goods and supplies, building, equipment, and other assets. You must collect debts and deal with natural catastrophes. Dealing with such business risks requires knowledge of risk management. Although your accountant or attorney will be able to

advise you, at certain times you may want to receive more specific assistance. A general management or insurance consultant will be able to provide the information you need.

Taxation. Your accountant is usually the company's basic source of technical assistance for taxation. Help is also available from the federal, state, and local tax agencies. Some business associations provide taxation advice to their members. Suppliers sometimes provide assistance from their legal departments. Persons who provide tax information services are entrepreneurs just like you. Bankers can also be helpful.

HOW SHOULD TECHNICAL ASSISTANCE SERVICES BE SELECTED?

The selection of technical assistance suitable for your business demands an organized, businesslike approach. The following steps are recommended:

1. Set up a technical assistance file.

   An organized file box of technical assistance information will provide you with quick access to the technical consultants available to you. It will shorten the time needed to find appropriate outside help. It will also become your record of services used and will help you evaluate the services you have received in the past.

2. Identify requirements.

   As mentioned earlier, defining your technical assistance needs in advance is helpful. A written statement of your problem and the kinds of tasks you expect a consultant to perform will help you describe your needs to prospective consultants.

3. Search out possible consultants.

   The associations and agencies in your Technical Assistance File (which should include your experienced competitors) will be helpful in finding individuals and firms capable of providing the help you need. Each of these persons or companies should be considered in your search. The specific criteria you should consider for each are described in the following section.

WHAT CRITERIA SHOULD BE CONSIDERED IN SELECTING SERVICES/CONSULTANTS?

Each potential individual or firm should be interviewed and evaluated. The following criteria should be considered in making your final selection.

- Competence. Make sure that the firm or individual possesses overall competence in the area where you are seeking assistance. Remember, all professionals are not equally competent. It is your job to choose wisely. In addition, there should be evidence of past experience in dealing with problems like yours. It is very important that the professional assistance you seek and your needs are a good "fit." Your needs and the needs of your business must be considered important by the individuals in whom you are giving your trust (and money).

Overall competence and experience should have been applied in small business settings. The consultant's experience with similar companies should be investigated. The individual should provide you with professional references. Talk with each reference and be sure to ask for an evaluation and discussion of each person's or firm's performance.

- **Working Methods**. Any outside source of technical assistance must be compatible with your business. A consultant needs to adapt to your schedule and your style of operation. You will probably be looking for a person whose approach to problems and solutions is practical rather than theoretical. You can gain this information from both the prospective consultant and from the consultant's former or present business clients. The time to discover the methods a consultant uses, and how your firm could adapt, is before a consultant is employed.

- **Fee Arrangements**. Payment for professional services can be provided in several ways.

  - *Per day or hourly fee* means that the consultant is either paid by the day and spends total days on the assignment, or is paid by the hour and logs the hours worked for your firm.

  - *Project fee* means that the consultant is hired to perform a specific project that can be defined in advance in terms of the time required for completion.

  - *Retainer fee* on a monthly or yearly basis means that the consultant is available under certain specified conditions. For example, an accountant completes monthly and quarterly income statements and income tax returns for a yearly retainer fee.

In any payment arrangement, variations are possible. For example, a maximum fee might or might not be set in advance. The fee arrangement should be fair and clearly understood before any agreement is reached. There should be a prearranged procedure for termination for the services by either party with proper notice.

HOW DO YOU WORK EFFECTIVELY WITH CONSULTANTS?

Once you have selected a consultant, you need to reach a number of agreements before a contract is signed. You must agree on the following:

- The scope of the task and the expected outcomes. Include timelines that state completion dates, etc.

- Methods of working from beginning to end

- Schedule or broad patterns for conducting activities so that they do not interfere with business

- The pay rate and the schedule for payment

- Reporting and implementation procedures

The success of the consulting relationship depends upon a team approach to solving the problem. The consultant and the entrepreneur each has a role to play, and the partnership approach should be the basis for the relationship.

Many sources of technical assistance for international trade are available to the small business person. An entrepreneur needs to study the cultural and economic considerations in the foreign market of their choosing

HOW DO YOU OBTAIN TECHNICAL ASSISTANCE FOR INTERNATIONAL TRADE?

The buying (importing) and selling (exporting) of goods and services between nations is called international trade. By specializing in the production of the goods, for which it has a competitive advantage, a business can benefit from trade with other nations.

A small business can be just as successful in international markets as a large business. Unfortunately many small businesses shy away from this source of trade because they are unfamiliar with the nuts and bolts of doing business abroad. A foreign market becomes less foreign as you learn more about it. Information will serve to excite and energize the entrepreneur as the opportunities for international trade are investigated.

in order to avoid costly errors. One excellent source of information on foreign markets, *Exporter's Guide*, is available through the Small Business Administration. Another, *A Basic guide to Exporting*, is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. The U.S. Government lends strong support to small businesses that want to do business abroad and offers a wealth of information on the subject. Figure 1 lists several of these sources of government assistance.

Much "homework" should be done before venturing into the world of international trade. There are many *trade barriers*, such as, tariffs, quotas, licenses, and product standards. These must all be investigated through sources of technical assistance. The returns on this investment of time could be lucrative, and there is a wide variety of assistance available to those who are willing to explore the possibilities.

When considering foreign trade, it is important to consider what contacts are available to assist in the foreign distribution of your products or service. These contacts are commonly referred to as *channels of distribution*. The following options are outlined by the U.S. Department of Commerce as possible foreign market channels of distribution.

Sales Representatives or Agents

A sales representative is the same as a manufacturer's representative in the U.S. Product literature and samples are used to present the product to the potential buyer. He/she usually works on a commission and is under contract for a definite period of time. This contract defines territory, terms of sale, method of compensation, and other details. The sales representative's sales territory may be identified or nonidentified.

Distributor

The foreign distributor purchases merchandise from a U.S. manufacturer at the greatest possible discount and resells it for a profit. This would be the preferred arrangement if the product required periodic servicing. The prospective distributor should be willing to carry a sufficient supply of spare parts and maintain adequate facilities and personnel to perform all normal servicing operations. Since the distributor buys in his/her name, it is easier for the U.S. manufacturer to establish a credit pattern so that convenient payment terms can be offered. As with a sales representative, the length of association is established by contract.

Foreign Retailer

Generally limited to the consumer line, this method relies mainly on direct contact by traveling sales representatives but, depending on the product, can also be accomplished through mail catalogs, brochures, or other literature. Even though this method would eliminate commissions and traveling expenses, the U.S. manufacturer who uses the direct mail approach could suffer because his/her proposal may not receive proper consideration.

Selling Direct to the End-User

This position is quite limited and again depends on the product. Opportunities often arise from advertisements in magazines receiving overseas distribution. Many times this can create difficulties because inquirers may not be fully knowledgeable of the country's foreign trade regulations. For several reasons they may not be able to receive the merchandise upon arrival, thus causing it to be impounded and possibly sold at public auction, or returned which could be costly.

State Controlled Trading Companies

This term applies to countries that have state trading monopolies, where business is conducted by a few government-sanctioned and controlled trading entities. Because of worldwide changes in foreign policy and their effect on trade between countries, these areas can become important future markets. For the time, most opportunities are limited to such items as raw materials, agricultural machinery, manufacturing equipment, and technical instruments.

	Potential Market Research	Direct Sales	Agents/ Distributors	Export Regulations & Licenses	Credit Assistance	Export and ETC Counseling	Unfair Foreign Competition	Insurance	Feasibility Studies
Office of Export Trading Company Affairs						X			
ITA Business Counseling Services	X								
Export Information Reference Room	X	X	X	X	X				
Export Licensing Service									
Trade Opportunities Program		X							
Agent/Distribution Service			X						
World Trader Data Report			X						
Foreign Traders Index	X	X	X						
County Market Surveys	X								
Export Mailing Lists			X						
Overseas Business Reports	X								
Foreign Economic Trends	X								
National Oceanic and Atmospheric Administration	X	X	X	X		X		X	
U.S. Department of Agriculture									
Product Advertising Abroad									
Commodity Credit Corporation					X	X			

Figure 1. Guide to Government Assistance to Exports

	Potential Market Research	Direct Sales	Agents/ Distributors	Export Regulations & Licenses	Credit Assistance	Export and ETC Counseling	Unfair Foreign Competition	Insurance	Feasibility Studies
Export-Import Bank of the U.S.									
Briefing Programs									
Small Business Advisory Service						X			
"New to Export" Short-Term Insurance Policy						X			
Small Business Credit Program									X
Working Capital Loan Guarantee Program					X				
Medium-Term Credit Program					X				
Small Business Administration									
Export Revolving Line of Credit						X		X	
Counseling through SCORE or ACE					X				X
Office of the U.S. Trade Representative					X	X			
U.S. Trade and Development Program							X	X	
USAID: Bureau for Private Enterprise (PAE)									X

Figure 1. Guide to Government Assistance to Exports

SOURCE: U.S. Department of Commerce, *The Export Trading Company Guidebook* (Washington: U.S. Government Printing Office, 1987), p. 23.

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New Product Information Service (NPIS)

This special service, offered by the Department of Commerce, can facilitate your direct selling effort to potential overseas customers. It enables U.S. companies interested in selling a new product overseas to submit appropriate data through Commerce Department District Offices for placement in the Department's publication, *Commercial News USA*, which is distributed exclusively abroad through 240 U.S. Foreign Service posts. The new product information is extracted and reprinted in newsletters tailored to local markets. Selected information is broadcast abroad by the International Communication Agency's (formerly the U.S. Information Agency) Voice of America.

Commission Agents

These agents are "finders" for foreign firms wanting to purchase U.S. products. They obtain the desired equipment at the lowest possible price. A commission is paid to them by their foreign clients.

Country Controlled Buying Agents

These foreign government agencies or quasi-governmental firms locate and purchase desired goods.

Export Management Companies (EMC)

These companies act as the export department for several manufacturers of noncompetitive products. They represent manufacturers for a commission, salary, or retainer plus commission. Many EMCs carry the financing for export sales, assuring immediate payment for the manufacturer's products. This can be a good arrangement for small firms that do not have the time, personnel, or money to develop foreign markets, but wish to establish a relationship and product identity internationally.

Export Merchants

The export merchant purchases products direct from the manufacturer and has them packed and marked to his specifications. He then sells overseas through his contacts, in his own name, and assumes all risks.

Export Agents

The export agent operates in the same manner as a manufacturer's representative, but the risk of loss is with the manufacturer. In transactions with export merchants and export agents, the seller is faced with the possible disadvantage of giving up control over the marketing and promotion of the product, which could have an adverse effect on future success.

HOW CAN YOU IDENTIFY NETWORKS FOR YOUR BUSINESS?

As a small business owner you can network your way to success much faster than working on your own. Networking is a source of promotional power that will carry the image of your business to a supportive group of non competitive helpers.

Networks are designed to produce a cost-effective flow of mutually beneficial information. The best, and easiest way to establish a *network* is to talk to all your friends and business associates to establish interest. Once this is done, a meeting time and place

should be established. Early morning breakfast meetings are very popular. The most important thing about networking is the commitment of each member to make every effort to help other members whenever possible. One method is to require each member to bring a "lead" for another member to each meeting. This will give all members incentive to attend. It is the responsibility of each group member to help their *network* grow and prosper.

To be successful, entrepreneurs need to develop networks with distributors, purchasers, suppliers, consultants, bankers, consultants, and other people involved in doing business. Oftentimes, competitors can also be a valuable network. They might recommend you to other people they do business with or they might give useful advice when you need it. Moreover, professional organizations, industry associations, government regulators, as well as personal contacts can help you develop further contacts.

Following is a list of suggestions on how you can identify networks for your business:

- **Supplier** networks help you find the suppliers you need in order to avoid shipment delays and to save time when looking for new raw materials, purchased parts, etc.

- **Distributor, sales representative, and purchaser** networking efforts are geared toward marketing your product. This type of networks are critical especially in manufacturing.

- **Competitors** will help you see other ways to run a business. Do not expect that competition will offer to help you become successful. However, making contacts with people in the same business might stop you from making expensive mistakes. Generally, there are few problems you are running into that have not been encountered in the past by other entrepreneurs.

- **Consultants** know each other and can assist you in finding additional competent technical expertise when you need it. Your accounting firm might be able to recommend you a good attorney, helping you save time and energy.

- **Bankers** are also valuable contacts. Reliable relationships with your banker become essential especially when you need to raise additional capital. Bankers have in-depth knowledge about the financial situation of your business. They are also an important source of credit information.

- **Professional organizations and industry associations** offer numerous opportunities for developing networks. Attending events organized by your local chamber of commerce or the Small Business Administration center will help you get in touch with buying groups, cooperatives, franchisers, retailers, and other business people in your industry.

- **Your personal contacts** can be developed on a golf course or a tennis court, at a party, in a dental clinic—practically everywhere you go to solve your personal problems. Even though this network will often be developed outside your business environment, the contacts you cultivate might help you take further steps in expanding your business network.

Networking becomes critical for entrepreneurs who expand their businesses in foreign markets. In order to overcome market conditions, cultural and economic differences completely new to you, and in order to learn about skills and resources available, entrepreneurs establish networks both in the home-country and overseas. Optimal networks include contacts with other entrepreneurs involved in the same type of business in the foreign country. They will lead you to suppliers, distributors, purchasers, and other people you need to better market your product.

The whole idea of networking is to solve the task of putting the network in place by linking all contacts together. Maintaining and enhancing the network is the second key factor in successful networking. It is very important to understand that there is a sense of community which supports the networking efforts. Entrepreneurs have to become part of these efforts. Ultimately, networks are an inexpensive way of helping others in order to help yourself to run your business more effectively.

WHAT ARE FREE AND PURCHASED SERVICES?

In order to solve problems which rise in day-to-day business activities, you must decide whether you need to pay for technical assistance or it is sufficient to use free services offered to entrepreneurs. To do that, you need to know what services are being offered for free and what services must be purchased. Following is list of services which might help you acquaint yourself with free and purchased services available to entrepreneurs:

Paid Services

Consulting services are offered by independent consultants or private consulting firms. General consulting services will help you solve problems in a variety of fields—

- **Accounting** (taxes, payroll, inventory, financial statements, costing and pricing, auditing, insurance, etc.)
- **Marketing** (market research, sales forecast, sales force training, etc.)
- **Human resources** (hiring, training, worker compensation)
- **Legal issues** (union activity, discrimination, contracting, type of ownership, real estate planning, liability suits, etc.)
- **Finance** (investing or raising capital)
- **Operations and logistics** (suppliers, distributors, transportation, production, inventory, factory layout, etc.)
- **Management information systems** (introducing or upgrading software and hardware, programming training).

Publications and on-line services are provided by firms which specialize in supplying financial information on companies. These firms issue publications and create databases and on-line services available at a cost. Examples include Dow Jones, Dun & Bradstreet, Moody's, and Standard & Poors. Most of these services are also available at your local library and you should take advantage from them before deciding whether you really need to buy them for convenience.

Free Services

- **Travel agencies** offer complimentary arrangement of business travel.
- **Bankers** are an important source of credit information. Because bankers are knowledgeable of the financial situation of their clients, they can also assist you in understanding whether it is appropriate to expand your business, take on new clients, suppliers, etc.
- **Libraries** are a vast information resource for the small businessperson. Contained in libraries are financial reports, business periodicals, and related textbooks. Many libraries have an actual business section, including reference librarians to assist you.
- **Government associations**, such as the Government Printing Office in Washington, D.C., Small Business Administration centers, and the local chamber of commerce, the U.S. Census of Business, Minority Business Development Agency, and Business Development Agency provide a variety of services for the small business entrepreneur. It pays off to attend events organized by these associations and to develop an active membership. A list of representative business associations is provided in the *Resource Guide*.

ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

You own a custom-made fishing lure company that sells only through a mail order catalog and a late night television advertisement. Your biggest seller is the Glow Worm, a florescent worm that is, as your ad says, "guaranteed to bring in the whoppers." Your problem is that you've just received a certified letter requesting your appearance in Patent Court. Apparently there is another product on the market called Bright Boy that also has a knack for hooking the big ones.

On a sheet of paper describe the types of professional counseling you may need. To help the consultants, draft a statement of your problem, including details about when and how the Glow-Worm was developed by you, what sort of action you might expect the consultant to take, and which type of fee arrangement you would prefer.

B.

Use the information in this unit and any other resources you can find to collect "free" publications that will help you sell the Glow Worm abroad. Once you have gathered the information, draft a written report on how you would proceed in becoming involved in *international trade*.

NOTE: Write or call the Office of International Trade, Small Business Administration, 1441 L Street NW, Washington, DC 20416. Phone (202) 653-7794.

GROUP ACTIVITIES

A.

Work in teams of four to six. Each team will assume the role of partners in a new seafood restaurant. Through open discussion each team will brainstorm the following:

1. Define four potential problems and/or decisions your new business may encounter.
2. Identify expected benefits (of solving the problem or making a particular decision).
3. Analyze cost-effectiveness.
4. Consider personal constraints.
5. Consider available options.

Use a flipchart and markers to record each team's thoughts. These notes will help organize the brainstorming. The teams should then join for an open discussion, facilitated by the instructor, to share their ideas.

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B.

Work in teams of four to six. Using the charts on pages 10 and 11 decide which foreign market channel of distribution would be most appropriate for your team's gourmet jelly bean exporting business. Also determine which forms of government assistance will be most helpful to you as exporters. Use a flipchart and markers to record the team's thoughts. The teams should then join for an open discussion, facilitated by the instructor, to share their ideas.

CASE STUDY

Linda Walton operates a motel that her father operated for many years. After Linda's father died 4 years ago, she took over management of the company. The business had been profitable over the years, but profits had been declining over a period of 18 months. Linda assumed that increased expenses and competition were responsible for the decline, but she wondered if her management might also be contributing to the problem.

The "Walton Wayside Motel" used the services of an independent public accountant who prepared financial statements each month from the bookkeeper's postings. The accountant had been with the business for more than 20 years.

Linda's father had been an accountant in his early years so he could easily interpret the monthly statements. Linda, on the other hand, is a sales and public relations specialist and is not very good at interpreting financial statements.

Linda decided to bring in an independent consulting firm to review the financial operation. The consultant found that expenses were out of line and that too many reduced rates were being approved by the manager. The consultant recommended that the accountant sit down with Linda each month and interpret the financial statements, pointing out the areas of strength and weakness.

Linda decided to replace the accountant with a person having experience in the hospitality industry. She called her banker for advice and discussed her needs with the executive secretary of the hotel-motel association in her state. After talking with a few competitors, she chose John Amos as her new accountant.

By working closely with the new accountant for a year, Linda has reduced her company's operating expenses and has hired an assistant manager. The profit picture has improved and the accountant has become a real asset to the business. As a result of the new accountant-manager relationship, Linda has improved her understanding of accounting and management control. The accounting fees have been somewhat higher during the past year, but the progress made by the motel has more than offset the increased expenditures for John Amos' services and for those of the consulting firm.

DISCUSSION QUESTIONS

1. How did Linda Walton prepare for using technical assistance?

2. How did Linda select an accountant?

3. Did Linda and John Amos work together effectively? How do you know?

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ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Explain the importance of determining the specific technical assistance your business may need.

2. List the criteria used to select professional consultants and discuss why you feel they are valuable.

3. Describe your understanding of the concept of *international trade*.

4. Discuss the steps you would take to establish a business network.

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PACE

Unit 1. Your Potential as An Entrepreneur
Unit 2. The Nature of the Small Business
Unit 3. Business Opportunities
Unit 4. Global Markets
Unit 5. The Business Plan
⇨ Unit 6. Help for the Entrepreneur
Unit 7. Types of Ownership
Unit 8. Marketing Analysis
Unit 9. Location
Unit 10. Pricing Strategy
Unit 11. Financing the Business
Unit 12. Legal Issues
Unit 13. Business Management
Unit 14. Human Resources
Unit 15. Promotion
Unit 16. Selling
Unit 17. Record Keeping
Unit 18. Financial Analysis
Unit 19. Customer Credit
Unit 20. Risk Management
Unit 21. Operations
Resource Guide
Instructor's Guide

Units on the above entrepreneurship topics are available at the following levels:

* Level 1 helps you understand the creation and operation of a business
* Level 2 prepares you to plan for a business in your future
* Level 3 guides you in starting and managing your own business